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DEPARTMENT OF ENERGY

NOTIFICATION

The 6th January 2010

No. 81—R & R-I-15/2009-En.—In May, 2001, the State Government appointed a committee of Independent Experts headed by Shri S. Kanungo to examine whether the reforms in Electricity Sector have proceeded on the desired lines and if not, what corrective steps need to be taken to ensure that the intended benefits of reform process flow to the targeted group. The Committee examined various issues involved in Power Sector Reforms and submitted its report in the year 2001.

After careful consideration of the recommendations of the Committee of Independent Experts and corrective measures suggested by the OERC, Government with the approval of Cabinet issued the Notification No. 1068, dated the 29th January 2003 and No. 8302, dated the 6th May 2003 wherein it was *inter alia* decided that the effect of upvaluations of assets of GRIDCO and OHPC would be kept in abeyance from 2001-2002 prospectively till FY 2005-2006 or the Sector turns around.

Keeping in abeyance, the effect of upvaluation of assets of OHPC & GRIDCO came to an end in FY 2005-2006.

The Orissa Electricity Regulatory Commission again came up with some suggestions to keep the tariff stable from 2006-2007 to 2010-2011.

Keeping in view the earlier decision of the State Government on the recommendations of Kanungo Committee's Report, the present suggestions of the OERC, the State Government with approval of the Cabinet has decided that the upvaluation of the assets of GRIDCO/ OPTCL and OHPC indicated in the Notification No. 5210, dated the 1st April 1996 and No. 5207, dated the 1st April 1996 would be kept in abeyance for the financial year 2006-2007 to 2010-2011 and has agreed to the followings :—

- (i) The bonds issued by GRIDCO and OHPC to the State Government, consequent upon revaluation of assets shall not carry any interest for a further period of five years from FY 2006-2007 to FY 2010-2011.

- (ii) The additional equity share, allotted to the State Government based on revaluation of assets, should not earn any Return on Equity for a further period of five years from FY 2006-2007 to FY 2010-2011.
- (iii) Both GRIDCO/OPTCL and OHPC would be entitled to depreciation on the revalued (pre-92) assets.
- (iv) Both GRIDCO/OPTCL and OHPC shall repay the principal amount of the loan amount actually taken from the State Government along with the interest as per the terms and condition of loan other than those attributable to the revaluation of assets.
- (v) The State Government investment actually made in Upper Indravati Project, excluding the normative equity, should yield return to the State Government with effect from FY 2010-2011 after clearance of loan liabilities of PFC. However, interest at the rate of 7% should be charged and paid on this investment from FY 2006-07 onwards.
- (vi) Returns on equity on the old Hydro Power Plants may be allowed to OHPC in respect of new projects commissioned after the 1st April 1996.

The above decisions of the Government are subject to the following stipulations :

- (i) The State owned utilities viz OHPC, GRIDCO & OPTCL earning accounting/ book profit are made to utilize the same for capital investment, servicing of Government loan and payment of dividend.
- (ii) The Private Distribution Companies are to service the State Government loan relating to World Bank and APDRP assistance passed on to them through an enforceable mechanism approved by OERC.

By order of the Governor

P. K. JENA

Commissioner-*cum*-Secretary to Government